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Nihon Keizai Shinbun (Japan Economic Newspaper), the evening edition of March 3, 1988. Translated from Japanese.

"Indonesia asked for yen loans as financial assistance, abandoning development projects due to the heavy debt burden caused by the rise of yen."

(Jakarta, 2nd March, Komaki) Indonesia, the Japan's largest aid receipient country, has made an official request that all yen loans for fiscal 1988 be turned into financial assistance. (The aid amounts to 100,000,000,000 yen, about $ 7,700 million) The intention is to use the loans exclusively to overcome the pressing financial problem caused by the rapid increase of foreign debt, especially due to the rise of yen, while abandoning development projects which used to be main objects of aid. The same voice is increasingly heard from other countries borrowing yen loans as well. Such a request for financial assistance by yen loans has emerged as a measure against the financial problems faced by developing countries due to yen revaluation.

When the Indonesian government made a request for the fiscal 1988 aid, it did not present any project item. There used to be ten or so such items every year up to last year. Instead it proposed that the aid be wholly turned into "Commodity Loan" and "Domestic Currency Loan", both of which formed only a part in the last year's aid.

Commodity Loan can be used to make payments on import goods, and as a result it becomes a revenue increasing the government's income in rupiahs. Domestic Currency Loan is to be used to complete the projects which, despite promises by international organizations for assistance, are held up because of the lack of rupiah funds that Indonesia should prepare.

The Indonesia's budget for fiscal 1988 is about Rp. 28.9 trillion and the estimated shortage at present is at least Rp. 1.2 trillion. Moreover, since oil and gas tax, the main revenue source, is calculated based on an estimate of the oil price at $ 16 a barrel which we cannot be optimistic of because the crude oil market is still sluggish and about other revenue sources, value-added tax, for example, there are no prospects of their targets being achieved, it has become extremely urgent to secure state revenues.

It was from awareness of this situation that Indonesia made the request for loans of 100 billion yen (about Rp. 1.2 trillion). Prime Minister Takeshita notified his intention to President Suharto through Japanese ambassador for Indoensia, Edamura, that "he understood the hard economic situation" and that "he would give positive support", so there are possibilities that yen loans will increase.

The major principle of yen loans is, however, that they are given to finance construction projects of roads, harbours, power stations and so on in line with the development plan of each receipient country. Until now Japan has persistently taken the position that aid should be given to efforts of self-reliance. The Economic Ministers' Meeting in May last year put forward the policy to handle such financial assistance, but among countries receiving large amount of aid Indonesia was the first to make such a request. This will give rise to controversies.

Note: Current exchange rate is $ 1 = ¥ 130.